

# GAS PRICES ARE EXPECTED TO BE HIGHER THIS WINTER

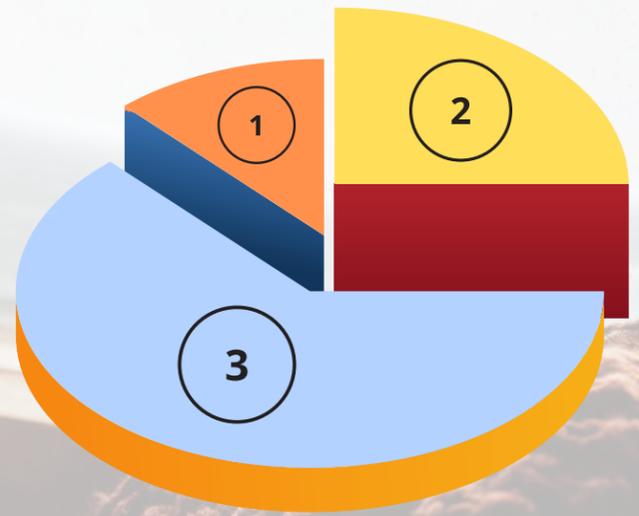
Be aware that various factors are at play that could impact your natural gas bills going up this season.

Your natural gas bill is comprised of three components:

1) the **transportation** of natural gas along the interstate pipelines – a federally-regulated and fixed price;

2) the local **distribution** of the gas to your home via your provider – a set administrative price to deliver the gas to your home, also a fixed price, and

3) the **cost of the natural gas** molecules you use in your home for heating, cooking, water heating and possibly more – this cost is **variable and fluctuates based on market conditions or supply and demand**; for the last 12 years this cost has been low due to abundant supplies of natural gas; only recently has the natural gas commodity cost started to increase.

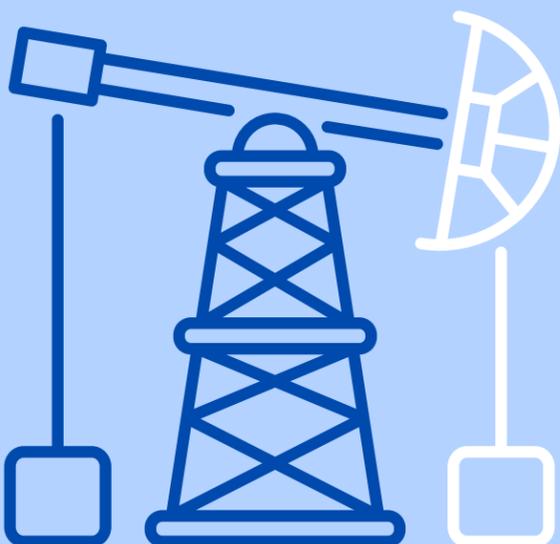


## STEADY SUPPLY

In the past when prices edged higher due to rising demand, U.S. producers ramped up production to help keep pace, but they have not been drilling despite the current higher prices. As our economy slowed during the worldwide pandemic producers eased off production due to the lower demand. They are taking a disciplined approach and are reacting to demand more slowly. And even if producers responded to rising prices and increased their drilling, those efforts would not bring natural gas to market in advance of this winter's heating season.

Currently U.S. production is unchanged from last year. This is expected to eventually change, but not anticipated until mid-2022.

Additionally, Hurricane Ida disrupted Gulf of Mexico production which is still impacting supply levels and remains offline.



## INCREASED DEMAND

The worldwide pandemic saw a decline in industry and commerce, but as business returns to pre-pandemic levels of activity, they are ramping up demand quickly.

Worldwide the demand for natural gas is extremely high as countries move away from coal to comply with new environmental standards. In recent years the US has become an exporter of Liquefied Natural Gas to other nations and these exports are at record highs – currently 38% higher than last year. In Europe and Asia, prices are higher and leaning on US natural gas exports to fill their needs, leaving less for US consumption.



## LIMITED STORAGE

Meanwhile U.S. storage inventories are well below last year's levels (17% less this year over last year), due in part to the unprecedented winter storm in Texas earlier this year and surprisingly high power generation demand this summer. The higher power generation demand is due to lower than expected renewable generation and a hot summer.

In the past some generation would switch to coal or other alternatives and demand less natural gas but given the nation's carbon reduction goals and the price of alternates this switch did not occur, putting an additional strain on natural gas demand this summer.

And all of this higher demand for gas this summer means less was put into storage, so we are relying on real time production and its associated costs.



## What does this mean for my natural gas bill?

### Let's break it down...

As we move into the winter heating season, these market factors, along with a cold winter, will result in higher natural gas prices.

- Average natural gas usage\* per year in Georgia for home heat and water heating: 50 mcf
- If the commodity cost increases for 12 months: \$3.00 per mcf / \$150 per year
- Natural Gas Usage Breakdown – 70% of that natural gas usage in in the winter months for home heating
- **How that breaks down: approximately \$25.00 dollars more per month during winter months when heating your home and approximately \$10.00 more per month during the summer.**

Below are some steps you can take now to prepare:

**1) Weatherization** – Consider adding insulation or weather-stripping to drafty windows and spaces in your home. Install programmable thermostats and program them to lower the temperature of your home when no one is home and to warm up when everyone is home. Contact your HVAC contractor to get ideas.

**2) Replacement of inefficient appliances** with efficient appliances. Often your gas provider or contractor can provide low-cost financing.

**3) Start saving now.** Consider setting aside some additional dollars to cope with the possibility of higher bills this winter.

**4) Contact your provider** about payment options or levelized billing options, if applicable.

Natural gas prices, while experiencing an increase due to the above market factors, remain the best energy value when compared to other alternatives. According to the Department of Energy (DOE) Residential Energy Price Forecast, released in September 2021, natural gas is by far the best value when compared to electricity and propane. Natural gas continues to be the most affordable, reliable energy when it comes to meeting your home heating, water heating, and cooking needs.

*\*Usage is based on the average customer use in Georgia. Actual usage may fluctuate based on location, actual winter month temperatures, and household square footage.*

